



## Punting the RDA Budget

Posted by **Pierluigi Oliverio** on Monday, December 21, 2009

The Council punted the Redevelopment Agency (RDA) budget last week to February 2010. As has already been highlighted in the news, the state is taking \$75 million away from San Jose's RDA. We need to pay the State off in May and identify where the money is coming from in March (no negotiation or payment plans on this matter are allowed by the State). The legislature, recognizing that this payment would be difficult for all RDA agencies, allowed for borrowing from affordable housing money which is 100-percent funded from RDA. Twenty percent of all RDA money goes off the top to the Housing Department in San Jose. The payroll for the housing department alone is \$9.7 million a year for 83 employees for an average salary of \$117,000.

The Mayor's Budget message was pragmatic in that it said let's not spend any money 'til we work out borrowing the money from the housing department to pay the State; let's determine whether or not RDA is able to issue bonds to pay for a capital program—which would include matching the hotel owners' share and expanding the convention center; and let's continue negotiating with the County of Santa Clara (which by the way in the last decade has been paid \$270 million by the RDA).

The Mayor had a very good public meeting with stakeholders from all sides prior to writing the budget message. Everyone who attended realized the choices are difficult and few options exist. Everyone at the meeting got the same information—that San Jose has already built 18,000 units of affordable housing by spending hundreds of millions of RDA dollars making San Jose the number-one provider of affordable housing in the state of California. Everyone left the meeting understanding that there is no pixie dust to magically fix things. A majority at the Mayor's meeting felt that economic development should be the priority now.

However, when it came to voting on the budget, another option was voted upon at the last minute that asked for a \$25 million reduction in how much would be borrowed from the Housing Dept., and instead look at borrowing from other sources. This option was well liked by the

audience (which was made up by mostly paid affordable housing lobbyists and people who work for affordable housing entities in some capacity—the Housing Director is campaigning against the Mayor and is ensuring that she has her supporters at the meetings). This “option” would take money by borrowing monies from the following: Commercial Paper backed by the General Fund, Sewage Treatment Plant Connection Fee, Library Parcel Tax, Sewer Service and Use Charge, Integrated Waste Management, Ice Centre Revenue Fund and HNVF-Anti-Tobacco Funds. This “option”—taking from all of these other resources—was approved on a 7-3 vote with Mayor Reed, Pete Constant and myself voting no.

We have borrowed money from some of these funds before, but that was to balance our general fund so we could fund core services like public safety and not more affordable housing. If we borrow this money now to create more affordable housing, then we will have one less arrow in our quiver to balance the general fund budget in June.

My question to you is: Should we use money that is supposed to go towards core services like sewers and water treatment plant so that we can build more affordable housing that does not pay fees for parks or road paving?

How do you feel as a voter that may have supported the library parcel tax to let that money be borrowed for more affordable housing that does not pay property taxes (property taxes is the number one revenue source to pay for city services) versus what you intended that money to be spent on...libraries.

I remember months back Councilmember Constant and I were criticized because we wanted to use the Healthy Neighborhood Venture Fund (HNVF)/Anti Tobacco money to pay for school crossing guards, a public safety service the City has had in place since the 1940's. It's okay to use these funds for affordable housing but not for crossing guards? Hmm...sounds like maybe a vote of the people should be had on how these funds should be spent. With a \$75 million deficit just for RDA and another \$96-plus million deficit for the City's General Fund, I am all for the residents sharing their votes via the ballot. If we can ask residents to raise their taxes then we can ask them for direction on spending their money.

I now have a Facebook page for my tenure on the city council. Here is the link.

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